THE NATIONAL CITY BANK OF NEW YORK
EST. 1812

1943

Economic Conditions Governmental Finance United States Securities

New York, April, 1943

General Business Conditions

THE needs of the civilian economy have been receiving more attention in Washington during the past month than has heretofore been considered necessary. In the earlier stages of the war program the armed forces could not possibly have too much of anything; there was a great slack in productive capacity to take up before a pinch was felt; and as long as reduction of civilian supplies affected chiefly the comfort of the people rather than their health and efficiency, it was right and feasible to throw every available resource into direct war use with little concern for other wants. The output of war material has risen to well over half of industrial production, and to probably half of the output of all goods and services, without imposing very difficult burdens on civil life.

From two directions, however, the division of the productive effort is coming in for reexamination. One question is whether the armed forces are taking more of certain products than they can use. An example is the fact that they took an estimated 35 per cent of the 1942 canned fruit and vegetable packs, and together with lend-lease ask for 50 per cent of the probable 1943 packs, although only 8 to 9 per cent of the population will be under arms by the end of this year. These and similar acquisitions of other supplies are due in part to uncertainties as to what will be needed, but they also reflect a policy of building large stockpiles.

Ex-President Hoover, in hearings on manpower before a subcommittee of the Senate Committee on Appropriations, referred to the procurement program (page 227 of the transcript, Feb. 8, 1943). After speaking sympathetically of the difficulties in balancing the program except through experience, he said:

> From all the information I have, we are producing more of some items of munitions than can be used by the men whom we can transport abroad, or to our allies, or even more than are needed for reserves. And I would suggest that some inquiry be made into which of those items or of those productions might be slowed down and manpower released . . . Industrialists connected with these problems . . . tell me in small arms, small arms ammunition, in trucks, tanks, and explosives, they are far ahead of anything that could be used in 1943, and in some lines up to what can be used in 1944.

As a policy, the creation of large reserves is wise and proper. But the war effort is now far along in its third year. Stockpiles in some lines appear to have reached a point where further additions would be not only superfluous but harmful, because they would be at the expense of the efficiency of the general productive organization. The announcement that part of the Army and Navy stocks of canned and processed foods would be turned over to the Food Distribution Administration, possibly for return to civilian consumption, is constructive. The ordnance procurement program is being altered as experience dictates, to get a better balance in supplies. Purchases of some textiles also are moderating. The decline will permit a greater production of worsted fabrics for civilian use, and more raw wool has been released to the mills for that purpose. Cotton goods requirements of the armed forces are now estimated to be no larger than in 1942.

Maintaining Productive Efficiency

The second question is whether cuts in output of certain goods and services, as time goes on, may not impair civilian efficiency to the point of impeding the war effort. An example of a past mistake is last year's excessive limitation on the production and distribution of farm machinery, which the Government has now liberalized because it endangered food production. Mr. Hoover had particular reference to this in the testimony quoted. Probably it is only a matter of time before reconsideration of present allowables for production of railway equipment also becomes necessary.

These questions become of more concern as war output mounts and civilian production declines, and as the huge inventories which have moderated the effects of the cut in civilian output turn downward. It would be indefensible to take steps merely to keep civilians comfortable, or to preserve accustomed ways

of living, where such steps might weaken the war effort and prolong the war. But it is axiomatic that the men at the guns require a strong and effective production organization behind them, including the essential goods and services necessary to keep the organization functioning. These essential goods and services include many things seemingly remote from the war. Such matters as maintenance of consumer services ordinarily performed outside the homes, such as laundry, and upkeep of household facilities and equipment, to say nothing of local housing, transportation and communication, become major problems in the war production centers especially. They become part of the war effort. The need is to keep proportion and balance among the armed forces, the war factories, and civilian services.

Chairman Nelson, of the War Production Board, has given expression several times recently to the need of maintaining a sound, if lean, civilian economy. He said in January that little more could now be gained for the war effort by trimming civilian allotments. Within the past month he has disclosed that studies of prospective shortages of essential consumers' goods are being made, and that a limited resumption or increase of production will be permitted in the case of refrigerators and certain other articles whose output has been suspended or greatly restricted. The industries are awaiting details of this move.

Mr. Nelson is also speeding the simplification and standardization program, and orders will be coming through in increasing numbers. This program is a natural one, in line with the practices which manufacturers normally follow in planning their production under war conditions. Objections are made to some details, as where styles are ordered discontinued which producers believe they can turn out more efficiently, on their particular machinery, than the styles permitted. However, the program is contributing substantially toward maintaining the highest possible output with the lowest possible use of labor and materials, to the end that both the armed forces and civilians may have more. Doubtless any resumption of consumers' durable goods output will be confined to simplified and standardized models, as in the case of alarm clocks, already announced.

Farm and Labor Demands

The inflation danger has continued much in the public consciousness during the month. The rush on the apparel stores, which developed during February, has subsided considerably and food sales dropped after canned goods rationing went into effect. The volume of retail business has continued large, however; merchants are selling more goods than they can replace; and individual incomes continue to rise. The Bureau of Labor Statistics wholesale price index had an uninterrupted advance of twenty-one weeks up to the week ended March 20, when a break occurred.

The demands of labor for higher wages, which were discussed in this Letter last month, rest upon the outcome of the mine workers' negotiations for a $2-a-day wage increase; the expressed attitude of the American Federation of Labor and the Congress of Industrial Organizations leaves no doubt that if this increase is obtained many others will be asked for. Meanwhile Congress has passed and sent to the President the Bankhead-Steagall bill, designed to raise the level at which price ceilings may be imposed on certain farm products. The bill prohibits making any allowance for government benefit payments in calculating parity prices for the purpose of determining permissible ceilings. In other words, the farmer is to have full parity prices in the markets, and the benefit payments in addition. If the bill should become law, the present ceilings on corn, flour and sugar would have to be raised to full parity and market prices probably would move up accordingly.

Another bill, the Pace bill, has been passed by the House and was reported favorably by the Senate Agricultural Committee but recommitted to it for hearings. This bill would change the basis for computing parity prices by including an allowance for wage increases over the base period, not only of hired help but of the farmer and members of his family. It is calculated that it would raise parity prices of all farm products by 14 per cent. The Price Administrator, Mr. Brown, made a strong recommendation against passage of both these bills, estimating that they would add $3¾ billions to the consumers' annual food budget and $1¼ billions to the Government's expenditures.

Farm Prices and the Food Situation

The food situation is of absorbing interest to this country. President Roosevelt has taken steps to improve it, including the creation of an Administration of Food Production and Distribution in the Department of Agriculture, headed by Mr. Chester C. Davis. The new office will also have jurisdiction over recruitment of farm labor. Mr. Davis is a man of experience and ability whose appointment has been generally welcomed. Concurrently, the President announced that more materials would be made available for farm machinery, and that by the end of the year 3 million farm workers will be deferred from military service.

The two farm price bills above described indicate that to the farm representatives in Congress the price aspects of the farm problem are still uppermost in importance, despite the rise of 107 per cent in farm prices since August

1939 and of 128 per cent in farmers' net income (after production expenses and wages), comparing 1942 with 1939. The view of the Administration, however, is similar to Mr. Hoover's, namely, that the problem of increasing production is largely a problem of "men and tools."

But whatever the merits of the claim that higher prices would raise production, there is no showing in the evidence that the farm bloc proposals would accomplish the particular increases that are needed. The Pace bill, because of the principles involved, is the more important of the two bills. It would raise all parities by 14 per cent, but since many farm products are already selling more than 14 per cent above the present parity, its practical effect would be confined to the lower-priced products. Commodities selling below that level include cotton and grains. On them the permissible market price, below which no ceilings may be imposed, would be raised. Those selling above that level include livestock, dairy and poultry products, wool, and rice. On them the permissible ceiling would not be affected.

Other things being equal, the effect of a rise in cotton would be to encourage its production relative to production of foods, although short staple cotton is in surplus supply. The effect of a rise in wheat would be to add to supplies of the food which is already in greatest abundance, relative to other foods. The effect of a rise in feed grains, already selling at prices profitable to growers, would be to discourage expansion of dairy and poultry production, which are now at a relative disadvantage, especially in the East, because feeding to hogs and cattle is more profitable.

Fallacy of "Parity"

These considerations, based on the assumption that enactment of the bill would raise prices as intended, demonstrate the basic fallacy in dealing with prices through the parity formula. Whether the calculated parity prices include or exclude labor costs, they are still only the prices of thirty years ago (1909-14 average) adjusted for changes in the prices of things farmers buy. They take no account of changes in requirements and changes in cost of production during the thirty years. They take no account of the special needs of production in the present emergency. Since they can only reflect a historical pattern, they cannot facilitate, but rather impede, desirable shifts of production to utilize agricultural resources more effectively.

Manifestly what is desirable is that every farm should produce everything it can, each with the best possible utilization of its own capacities. Within that framework, it is desirable to grow crops which are in short supply, or can substitute for those in short supply, rather than those of which there are still reserves; to produce food of high nutritive value rather than of low nutritive value; and, insofar as is compatible with other objectives, to produce commodities which represent the most efficient use of labor and land resources, from the standpoint of supplying basic food needs. These considerations are taken into account, at least to some extent, in the crop goals established by the Department of Agriculture, and in the support prices and bonuses established to encourage production shifts. Proposals to raise all prices to parity, and then to raise the parities, on the other hand, can give no effect to them.

The parity principle, however, has contributed heavily to the inflation of farm prices. It has made mandatory government support of certain crops at high levels and prevented imposition of ceilings except at high levels, without regard to other considerations. Prices have been made a goal in themselves. But in this emergency the goal is production. If the parity principle is pursued further, and successfully, it must lead to further increases in living costs, which would strengthen wage demands. Mr. Brown said in his statement on the farm bloc proposals, "We must face the fact that radical change in the cost of food means radical change in the Little Steel formula as well."

The farm and labor demands are inseparably connected. The Government has conceded much both to labor unions and the farmers during past years, when the country was in depression and the objective of policy was to "make work," create artificial purchasing power and provide support against deflation. The economic situation has reversed itself, but the demands of past years are continuing. They now become a threat to the inflation controls, which are essential to carry on the war effectively and to provide stability in the post-war period.

The Pay-As-You-Earn Tax Controversy

The action of the House of Representatives in voting down all proposals for adopting pay-as-you-earn taxation, and in recommitting the bill that had been brought out by the Ways and Means Committee, leaves the whole issue of pay-as-you-earn up in the air. Thus, after more than two months of hearings and debate —at times violent and even bitter—not only the method, but even the question as to whether we are to get pay-as-you-earn taxation at all, remains uncertain.

Unable to agree upon the method of changing from the present system of paying taxes in one year upon the income of the year previous to a system of paying taxes currently, the Ways and Means Committee majority had finally reported out a bill which abandoned the idea of pay-as-you-earn except as taxpayers

might voluntarily elect to pay two years' taxes in one. To the latter it offered a system of discounts ranging from 6 per cent down to 2 per cent in 1943, according to the quarterly period in which payment is made, and from 4 per cent down to 1 per cent in subsequent years, a concession, however, that would be available only to those who are fortunate enough to have income or savings sufficiently large to stand the doubling up of taxes implicit in the plan.

The assumption seems safe that the great majority of taxpayers either could not or would not choose to follow this program. This means that most of the American people would continue to be a year behind in taxes, despite the almost universally conceded desirability of getting on a current basis which but two months ago seemed almost a foregone conclusion.

As recently as February 24, Mr. Randolph Paul, General Counsel of the Treasury, voiced the general approval of pay-as-you-earn taxation and stated the case in forceful terms when he said in an address:

> I want to make it clear that the Treasury is in complete agreement with the objective of putting our tax system on a pay-as-you-go basis. Indeed, the Treasury has been recommending pay-as-you-go taxation for a long time. Congress has been awake to the same need for a long time. Public interest has not lagged far behind and has recently acquired great momentum. Today the question is not whether we should have pay-as-you-go taxation, but how we shall get to such a system.
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> The growing interest in this subject is very natural. The income tax reaches ten times as many people today as it reached five year ago, and the rates are higher than they have ever been in American history. Under the existing method of income tax payment the tax for any year is paid in four installments during the following year. Paying in quarterly installments is obsolete for an income tax which is imposed on millions of individuals who base their budgeting on weekly, semi-monthly, or monthly pay checks. Paying in the year following the receipt of income is likewise obsolete when the tax is imposed on millions of people whose incomes fluctuate violently from one year to another, and who may have no income when the tax has to be paid.
>
> To meet the needs of these millions of people we need a system which will collect income taxes bit by bit as the income is earned. We need a system which will collect the taxes on 1943 income in 1943, and which will to a large extent collect it out of each paycheck. This is the heart of pay-as-you-go taxation. This is what we need to make the income tax a more flexible instrument in combating inflation. This is what the taxpayer needs to make the payment of the income tax convenient. Most of us are agreed up to this point. Differences of opinion center upon the question: How can we get such a system started?

There is very little that could be added to this argument so far as pay-as-you-earn is concerned. The stumbling block, as Mr. Paul says, has been over the method of shifting to that basis.

Although the House of Representatives has turned back the whole question of pay-as-you-earn taxation to its Ways and Means Committee, the tremendous popular support for some means of paying taxes currently makes certain that this subject will continue to be a very live issue. People's plans are dependent upon these decisions, and if we are going to have a pay-as-you-earn system in operation by July, the terms and conditions must be decided and the machinery set up with the least possible delay.

The question will become even more acute when Congress turns to the consideration of the additional taxes for which the President has asked. Uncertainty over this issue is delaying progress in tackling the new revenue program, and tends also to obstruct the progress of new government financing by making it difficult for individuals to decide upon their subscriptions to the new offerings. Indications of the difficulty experienced by many taxpayers in meeting their tax obligations last month appeared in the decreased sales and increased redemptions of war savings bonds, as well as in reports of individuals' borrowing from loan companies for meeting tax payments. Treasury income tax collections for the third and fourth quarters of the 1943 fiscal year, according to the budget estimates and actual collections in the first and second quarters, would total approximately $13.1 billions, or $6.5 billions per quarter if equally divided. Collections for the third quarter through March 27 actually totaled $5 billions.

Canada Adopts Pay-As-You-Earn

Meanwhile, as the long drawn out controversy over pay-as-you-earn has been raging in Congress, Canada has gone ahead and adopted such a plan, which went into effect April 1. Under the plan, the taxes on the second half of 1942 income would be cancelled in the case of earned incomes, while in the case of investment income the liability will be deferred until the death of the taxpayer. This plan is expected to increase revenues by $284 millions because of the earlier application of higher taxes to the rising national income. Thus benefits accrue to both taxpayers and Government.

The April War Loan Drive

With the opening on April 12 of the new war bond drive — officially designated the Second War Loan — the Treasury is undertaking an even bigger job than in the December Victory Loan. Not only is the amount asked for larger ($13 billions is the *minimum* this time against $9 billions asked for in December and $12.9 billions actually raised), but the coverage needs to be far broader. Many large buyers who contributed heavily to the success of the first offering — notably the insurance companies and trust funds — may not yet have the accumulated funds to equal their previous subscriptions. There is more necessity, therefore, of finding new buyers, and especially of discovering ways of getting more funds from indi-

viduals, particularly those who are receiving the main benefit of the vast sums being spent by the Treasury.

In discussing plans for the financing, Secretary Morgenthau stated that at least $8 billions would be sought from non-commercial banking sources, leaving $5 billions to be supplied by the commercial banks. Since the banks can be counted on to take their full share of the new financing, it is evident that any substantial improvement in the proportion of non-banking to banking funds raised will have to come through lifting the non-banking absorption above the minimum goal of $8 billions.

In general, the new financing follows the same pattern as the December financing, with the principal exception the substitution of a 7½-9½-year 2 per cent bond for the 5½-year 1¾s issued in December. By lengthening the term and raising the rate to 2 per cent the Treasury is making available a security of intermediate maturity that should prove attractive to a wide variety of buyers, including not only banks and institutional investors but many individuals who prefer a freely negotiable bond of this type to the non-marketable savings issues.

The Appeal to Individual Savings

In the marketing of the $8 billions plus of Treasury securities scheduled for non-banking absorption in this month's drive, heavy reliance must continue to be placed upon the insurance companies, savings banks, business corporations, partnerships, and personal trust accounts. But even if these sources measure up to the high level of purchases established in the December drive, the results will still fall far short of satisfying the requirements of a sound financing program unless accompanied by substantially greater progress in reaching individual savings.

For large as are the amounts of funds at the disposal of these institutions and agencies, they can at best account for only a minor share of public financing by the Treasury, estimated at $58 billions for the current fiscal year and $70 billions for fiscal 1944, assuming continuance of present tax rates, or $54 billions assuming adoption of the President's recommended $16 billions of tax increases. Only two sources of funds are big enough to absorb so huge an outpouring of securities — either the commercial banks or the current and accumulated savings of the great mass of the American people now enjoying the highest aggregate income in the history of the country.

The commercial banks could do the job, for their capacity for expansion is enormous. But that, it is pretty generally recognized, would mean disastrous inflation. This leaves, therefore, as the only sound and practicable alternative the appeal to individual savings.

In that area a good start has been made, but a great deal more can be done. In the December financing, for example, the sales classification "Individuals, partnerships, and personal trust accounts" took only about $1.5 billion out of the grand total of $12.9 billions, and the restricted character of the distribution was further shown by the fact that the total number of subscribers of all classes was only about 340,000 in a nation of over 130,000,000.

In considering these figures, it should, however, be borne in mind that our main effort to reach individuals has been through the continuous drive to sell savings bonds, the total sales of which reached nearly $9 billions in the calendar year just closed, with sales to individuals amounting to something over $8 billions. The payroll deduction plan for the Series E savings bonds is alone reaching about 25,000,000 persons for a dollar total running in December at the rate of about $370,000,000 monthly.

This is a good showing, and on a per capita basis compares very well with what Canada is doing, where the effort to reach individuals has centered largely in the Victory Loan drives. But we should be selling comparatively much more to individuals in order to hold in check the inflationary effect of our gigantic spending. Our war costs per capita are running some two-thirds higher than similar costs in Canada.

Indications of the substantial amounts of income and accumulated savings in the hands of individuals, arising from the great increases in payrolls and farm income, that could be diverted to finance war expenditures are supported by a recent study by the Securities and Exchange Commission as to the amount and composition of savings by individuals in the last three years. The results are summarized in condensed form below:

Gross Saving by Individuals in U. S. During 1940-1942
(In Billions of Dollars)

	1940	1941	1942
Liquid Saving:			
Currency and bank deposits	3.0	5.6	11.0
Savings and loan associations	.3	.3	.3
Insurance and pension reserves	2.9	3.8	4.8
U.S. Savings bonds	.9	2.8	8.0
Other U.S. Government securities	* .2	.2	2.3
Other Securities	* .6	* .7	.2
Liquidation of Consumer debt	†1.1	† .6	2.8
Liquidation of mortgage debt	† .9	†1.1	†.4
Total liquid saving	4.3	10.3	28.9
Non-liquid Saving:			
Non-farm dwellings Purchases	2.5	3.0	1.6
Automobiles and other durable consumers' goods	9.3	11.4	7.6
Total non-liquid saving	11.8	14.4	9.3
Gross saving	16.1	24.7	38.2

Note: Figures are rounded and will not necessarily add to totals.
*Decrease. †Increase.

It will be seen that, according to these calculations, individual gross savings (including purchases of dwellings and other durable goods) increased in 1942 about 55 per cent over 1941 and were more than double those of 1940. More significant, however, from the standpoint of war financing is the rise in the proportion of savings employed in relatively liquid channels from one-quarter of the total in 1940 to three-quarters in 1942.

But the most striking feature of the study is the indication that last year the American people — after buying over $10 billions of government bonds, purchasing $7.6 billions of durable goods, contributing $4.8 billions to insurance and pension reserves, liquidating $2.8 billions of consumer debt, as well as paying out a new high total for living expenses and taxes — nevertheless had enough left over to increase their cash holdings and bank deposits by $11 billions, or almost twice as much as in 1941.

This year, with national income running at still higher levels, with more people having cleared up past indebtedness, and with the supply of both durable and consumption goods drastically reduced, the accumulation of savings in the form of cash should be greater than ever. The real job of this and subsequent campaigns is the devising of ways and means of drawing on this vast reservoir of funds, thus reducing the dependence upon bank credit and diverting to the Treasury purchasing power which—if people should try to use it on the limited goods available — would blow prices through the ceilings.

Who Is Making the Increased Savings?

The Federal Reserve Bulletin for March, in commenting upon the S.E.C. figures, observes that little information is available about the types of persons or businesses that have shared in the growth of cash holdings and other forms of saving, but gives interesting figures comparing bank deposit growth and sales of savings bonds last year by Federal Reserve districts, as shown in the next table.

Bank Deposits and Sales of War Bonds by Federal Reserve Districts

(In Millions of Dollars)

	Demand and Time Deposits of Individuals, Partnerships and Corporations*		Sales of U.S. Savings Bonds†
	Outstanding Dec. 31, 1942	Increase in 1942	1942
Boston	7,063	599	691
New York	24,014	1,133	1,853
Philadelphia	4,502	408	612
Cleveland	5,584	793	789
Richmond	3,667	694	599
Atlanta	2,681	718	440
Chicago	10,026	2,034	1,540
St. Louis	2,721	590	408
Minneapolis	1,765	375	300
Kansas City	2,485	724	376
Dallas	2,182	609	336
San Francisco	7,629	1,954	921
United States	74,318	10,630	8,865

*Including deposits of all commercial banks and of mutual savings banks. †Including sales of Series E, F, and G bonds. District figures are partially estimated.

In dollar amount the largest increases in deposits and the largest sales of savings bonds were, as might be expected, in the New York, Chicago, and San Francisco districts which also led in volume of deposits. The Bulletin points out that in the eastern districts, where in the past accumulation of savings has been most common, sales of savings bonds were larger than the growth of deposits, whereas in the western districts more of the excess income went to build up cash balances than to buy savings bonds.

In an analysis of demand deposit figures, the Bulletin indicates that on a percentage basis the smallest increases last year were in the cities of New York, Boston, Philadelphia and Chicago. Taking the figures by Federal Reserve districts, the smallest increases were in the four northeastern districts of New York, Boston, Philadelphia, and Cleveland, while the largest increases, ranging from 45 to 56 per cent, were in the Dallas, Atlanta, Minneapolis, Kansas City, and San Francisco districts. In nearly every district, the percentage increase in deposits was greater at country banks than at city banks, and in general agricultural areas have shown substantially larger percentage increases in deposits than have areas devoted more largely to manufacturing activities.

Treasury Financing and the Banks

With respect to the $5 billions of the new financing that will be open to banking subscription, the effort should be to place as much as possible outside the financial centers of New York and Chicago. The reason for this is, as often explained, that the surplus funds of the banking system are no longer in the financial centers but in the farm and industrial areas to which money is largely flowing. To the extent, therefore, that the Treasury gets its money in the main centers and pays it out elsewhere the effect is to aggravate the unbalanced distribution of funds and increase the dependence of the chief money markets on the Reserve Banks at a time when there are still substantial excess reserves in other districts.

The reserve situation is illustrated by the following table from the March Federal Reserve Bulletin showing the distribution of member bank excess reserves in January, by classes of banks and by Federal Reserve districts, together with the ratios of excess to required reserves in January this year and a year ago:

Reserve Position of Member Banks by Class of Bank and Federal Reserve District

(Monthly averages of daily figures)

Federal Reserve district	Excess reserves (in millions of dollars) January 1943 Reserve city banks	Excess reserves (in millions of dollars) January 1943 Country banks	Ratio of excess to required reserves (percentages) January 1943 Reserve city banks	Ratio of excess to required reserves (percentages) January 1943 Country banks	Ratio of excess to required reserves (percentages) January 1942 Reserve city banks	Ratio of excess to required reserves (percentages) January 1942 Country banks
Boston	53	72	16	32	47	59
New York	8	134	10	34	22	57
Philadelphia	64	71	18	39	52	53
Cleveland	177	103	32	56	68	76
Richmond	73	52	28	34	56	53
Atlanta	54	63	22	46	23	47
Chicago	124	130	24	51	52	66
St. Louis	32	44	11	43	35	53
Minneapolis	15	33	11	38	20	48
Kansas City	58	46	19	47	33	42
Dallas	80	69	35	61	34	57
San Francisco	175	43	18	41	34	37
Total	913	860	21	42	44	57
Central reserve city banks:						
New York	337		8		26	
Chicago	22		3		26	
All member banks	2,132		19		36	

As the table shows, the ratio of excess to required reserves of all member banks declined during the year from 36 per cent to 19 per cent, with the ratios in New York City and Chicago cut sharply from 26 per cent to 8 per cent and 3 per cent, respectively, the lowest of any of the classifications listed.

Ratios for reserve city and country banks taken as groups, also declined, but stood in January 1943 at 21 per cent for reserve city banks and at 42 per cent for country banks. The changes, however, varied considerably among districts, and while most of the changes were towards lower levels there were notable exceptions. Country banks in the Kansas City, Dallas, and San Francisco districts, and reserve city banks in the Dallas district, actually showed larger ratios of excess to required reserves this year than last, and the Atlanta district was close to last year's level. Ratios of over 50 per cent were shown by country banks in the Dallas, Cleveland, and Chicago districts.

Commenting on this showing, the Bulletin points out that while many banks out through the country recorded large increases percentagewise in their holdings of government securities, the redistribution of funds resulting from Treasury receipts and expenditures enabled banks in numerous localities to which funds were flowing to make relatively large purchases of government securities and at the same time to improve their reserve position.

Since January the amount of excess reserves in New York City has undergone further shrinkage, the total averaging only $60 millions for the first four reporting dates of March. Compared with the huge volume of deposits at this center, these are negligible figures, demonstrating that it is entirely feasible under present conditions for banks to operate with practically no excess reserves. This has been possible because of the large amount of Treasury bills and certificates now available, and the stable market and facilities offered by the Federal Reserve Banks which make such investments the equivalent of cash.

The foregoing figures as to reserve distribution, while emphasizing the need of placing more of the financing with banks which hold excess reserves, does not of course mean that the banks in the main financial centers have reached the limit of their subscriptions. The support of the large city banks will be necessary to the success of the program and the Federal Reserve Banks have given assurance in many ways that adequate reserves will continue to be made available to the banks as needed.

Report by the American Bankers Association

The recently issued report by the Economic Policy Commission of the American Bankers Association entitled "The 100 Billion Budget and the Banks" suggests certain yardsticks that individual banks may use in determining the size of their subscriptions to Treasury issues. It gives as a first principle that banks should be fully invested and need carry no more than a minimum of excess reserves, because of the facilities for adjusting reserve position referred to above.

As a second yardstick, the report suggests the percentage of a bank's deposits invested in government securities. "On December 31, 1942," it says, "the average bank in the United States held government securities equal to nearly half of its total deposits, and banks which are holding less than this amount might examine their positions to see whether they might not do more. This percentage would, of course, be somewhat dependent upon a bank's loan portfolio," it adds. Still another measure that might be applied in subscribing for new issues, according to the report, is for each bank to consider taking a share of the new financing proportionate to its share of the total bank deposits of the country, estimated at $85 billions at the end of December.

In conclusion, the report expresses the conviction that "in step with the inspiring achievements of the armed forces, and with marvels in production by American industry, the bankers of the country can be counted on to do their share."

Earnings of Leading Corporations in 1941-42

Within the past month large numbers of additional earnings reports have become available for the year 1942 and give a broad cross-

section of the mining, merchandising, transportation, public utility and other lines, as well as the manufacturing industries which were summarized in this Letter a month ago.

As indicated in our preliminary tabulation, most lines of business experienced, despite the further large expansion in volume, such a rapid increase in operating costs and taxes that net income after taxes was lower, and margin of profit per dollar of revenue declined even more sharply. Labor costs advanced because of higher wage rates and overtime; also because of the loss of experienced employes to the armed forces and the need for training large numbers of new and often less efficient workers. Costs for most materials, supplies and services purchased were higher, as were the charges for depreciation, contingency and post-war reserves.

Among the important exceptions to the downward trend of net earnings were many of the large railroad systems, which handled the heaviest traffic in their history and whose net income, exceeding even that of the year 1929 was applied chiefly toward building up cash reserves and the reduction of debt.

A tabulation of the reports of 2,560 leading companies, whose aggregate capital and surplus of $57,150 millions at the beginning of last year comprised more than 40 per cent of the total for all American corporations, shows combined net income after taxes of $4,962 millions in 1942, compared with $4,969 millions for the same companies in 1941. Rate of return on net worth declined from 8.9 per cent in 1941 to 8.7 per cent in 1942. Following is a condensed summary of the changes by industrial divisions:

Summary of Net Income After Taxes of Leading Corporations in 1941 and 1942
(In Millions of Dollars)

No.	Division	Net Income 1941	Net Income 1942	% Chg. 1941-42	% Return 1941	% Return 1942
1,336	Manufacturing	$2,926	$2,522	—14	12.3	10.1
125	Mining and quar.	112*	125*	+12	6.8	7.5
138	Trade	233	216	— 7	11.0	9.9
238	Transportation	549	1,032	+88	4.6	8.7
200	Public utilities	647	579	—11	6.8	6.0
102	Service & constr.	62	84	+36	9.4	12.3
421	Finance	440	405	— 8	7.2	6.5
2,560	Total	$4,969	$4,963	....	8.9	8.7

*Before certain charges.

Our more detailed summary, given on the following page, shows the net income and net worth in major industrial groups.

Changes in the Manufacturing Industries

Net income of 1,336 manufacturing concerns shows a decline of 14 per cent, about the same as shown in our tabulation given last month of 710 manufacturing reports available at that time.

In examining the comparative showing among industrial groups, two qualifications noted last month deserve even stronger emphasis at this time. (1) The usual industrial classifications have become much less meaningful due to the fact that many companies have curtailed or completely suspended their production of peacetime goods and shifted to airplanes, tanks, ships, guns, shells and the multitude of parts and other products needed for the war, while many others which have continued their regular lines have gone into new fields as well. (2) Large numbers of statements point out that the earnings as reported are subject to the renegotiation of government contracts, which may have the effect of reducing gross income, tax liability and net income by amounts as yet indeterminable.

Lower Profit on Sales

Sales figures given by 910 of the manufacturing companies in our tabulation aggregated $43,805 millions last year. Corresponding net income after taxes, including income from investments and other sources as well as from sales, amounted to $1,885 millions, and represented an average of 4.3 cents per dollar of sales. This compares with an average of 6.5 cents shown by a similar tabulation for 1941, and with 7.5 per cent for 1940.

Percentage of Net Income after Taxes to Sales of Leading Corporations in 1941 and 1942
(In Thousands of Dollars)

No.	Manufacturing	Sales 1942	Net Income* 1942	% Net Inc. to Sales 1942	% Net Inc. to Sales 1941
15	Baking	$ 560,641	$ 23,109	4.1	4.6
14	Dairy products	1,316,724	30,310	2.3	2.9
15	Meat packing	4,246,895	49,461	1.2	1.2
58	Food prod.—misc.	1,410,830	84,857	6.0	7.0
38	Beverages	695,772	36,927	5.3	5.9
13	Tobacco products	1,321,984	71,761	5.4	7.0
40	Cotton goods	768,458	30,458	4.0	5.8
41	Textile prod.—other	1,030,610	47,178	4.6	6.7
21	Leather & shoes	567,484	20,751	3.7	4.8
20	Rubber products	1,479,626	51,847	3.5	4.3
22	Wood products	301,128	14,473	4.8	7.1
50	Paper products	705,594	41,371	5.9	8.2
34	Chemical products	1,724,124	79,233	4.6	9.1
18	Drugs, soap, etc.	716,521	56,381	7.9	12.2
12	Paint and varnish	342,430	11,402	3.3	4.6
25	Petroleum products	2,288,980	168,381	7.4	10.1
42	Stone, clay and glass	751,764	42,673	5.7	7.4
38	Iron and steel	5,560,115	188,874	3.4	6.2
10	Agricul. implements	932,611	57,717	6.2	8.3
27	Building equipment	657,671	28,745	4.4	5.8
30	Electrical equip.	2,796,169	99,673	3.6	6.9
73	Machinery	1,222,246	60,221	4.9	8.8
11	Nonferrous metals	626,173	76,076	12.1	12.8
89	Metal prod.—other	1,781,586	93,117	5.2	7.1
20	Automobiles	3,880,308	202,609	5.2	6.6
41	Auto equipment	1,128,378	41,885	3.7	5.6
11	Railway equipment	853,914	27,154	3.2	6.6
28	Aircraft and parts	2,925,817	94,782	3.2	7.4
54	Misc. mfg.	1,210,039	53,971	4.5	9.8
910	Total mfg.	43,804,537	1,885,347	4.3	6.5
	Trade				
12	Chains—food	1,577,097	15,873	1.0	1.4
40	Chains—other	2,132,836	80,827	3.8	4.7
26	Department stores	1,014,526	32,709	3.2	3.8
6	Mail order	1,592,769	54,059	3.4	3.8
25	Misc. & wholesale	830,089	19,200	2.3	2.9
109	Total trade	7,147,317	202,668	2.8	3.5
1,019	Total mfg. & trade	$50,951,854	$2,088,015	4.1	6.1

* Net income, after taxes, includes income from investments and other sources as well as from sales.

NET INCOME OF LEADING CORPORATIONS FOR THE YEARS 1941 AND 1942

Net Income is Shown after Depreciation, Interest, Taxes, and Other Charges and Reserves, but before Dividends.—Net Worth Includes Book Value of Outstanding Preferred and Common Stock and Surplus Account at Beginning of Each Year.

(In Thousands of Dollars)

No.	Industrial Groups	Net Income After Taxes 1941	Net Income After Taxes 1942	Per Cent Change†	Net Worth January 1 1941	Net Worth January 1 1942	Per Cent Return 1941	Per Cent Return 1942
21	Baking	$ 21,996	$ 25,637	+16.6	$ 296,078	$ 275,659	7.4	9.3
17	Dairy products	29,977	31,082	+ 3.7	292,674	306,896	10.2	10.1
15	Meat packing	50,690	49,461	— 2.4	571,842	598,485	8.9	8.3
22	Sugar	17,925	32,940	+83.8	312,047	315,310	5.7	10.4
62	Misc. food products	104,293	91,610	—12.2	865,525	896,982	12.0	10.2
18	Soft drinks	45,458	37,333	—17.9	128,705	140,627	35.3	26.5
26	Brewing	14,366	13,896	— 3.3	96,787	101,542	14.8	13.7
8	Distilling	23,522	26,472	+12.5	186,005	204,170	12.6	13.0
22	Tobacco products	89,816	81,173	— 9.6	765,121	776,086	11.7	10.5
47	Cotton goods	36,716	34,166	— 6.9	306,338	327,039	12.0	10.4
15	Silk and rayon	22,456	21,018	— 6.4	231,094	244,840	9.7	8.6
5	Woolen goods	9,398	8,000	—14.8	82,054	86,785	11.4	9.2
19	Knitted goods	7,858	7,228	— 8.0	65,021	68,035	12.1	10.6
34	Misc. textile products	32,921	27,367	—16.9	249,986	264,898	13.2	10.3
23	Clothing and apparel	11,590	11,821	+ 2.0	103,748	107,573	11.2	11.0
8	Leather tanning	4,678	4,502	— 3.8	39,318	41,048	11.9	11.0
16	Shoes, etc.	17,798	17,530	— 1.5	178,488	182,823	10.0	9.6
25	Rubber products	56,650	53,496	— 5.6	497,574	521,875	11.4	10.3
23	Lumber	15,795	13,358	—15.4	103,258	113,200	15.3	11.8
10	Other wood products	7,023	5,349	—23.8	74,848	77,655	9.4	6.9
73	Paper products	89,869	66,584	—25.5	856,976	875,166	10.4	7.6
25	Printing and publishing	12,062	9,890	—18.0	119,914	123,206	10.1	8.0
49	Chemical products	230,691	197,718	—14.3	1,754,164	1,882,780	13.2	10.8
25	Drugs, soap, etc.	76,047	64,849	—14.7	370,248	401,462	20.5	16.2
15	Paint and varnish	23,024	17,652	—23.3	233,181	251,958	9.9	7.0
35	Petroleum products	306,486	258,961	—15.5	3,583,596	3,693,152	8.6	7.0
24	Cement, gypsum, etc.	25,219	20,617	—18.2	273,572	278,655	9.2	7.4
39	Other stone, clay and glass	66,401	51,155	—23.0	521,437	524,850	12.7	9.7
56	Iron and steel	322,261	226,667	—29.7	3,351,332	3,507,285	9.6	6.5
13	Agricultural implements	68,147	60,925	—10.6	636,175	666,296	10.7	9.1
41	Building equipment	38,747	35,274	— 9.0	356,464	368,575	10.9	9.6
57	Electrical equipment	147,852	116,647	—21.1	943,169	1,026,666	15.7	11.4
39	Hardware and tools	42,917	37,836	—11.8	247,987	260,895	17.3	14.5
28	Household equipment	18,433	12,558	—31.9	119,376	125,079	15.4	10.0
122	Machinery	117,635	107,958	— 8.2	624,316	677,079	18.8	15.9
18	Office equipment	40,514	34,216	—15.5	235,645	247,753	17.2	13.8
17	Nonferrous metals	109,534	99,966	— 8.7	958,736	999,207	11.4	10.0
60	Misc. metal products	63,360	50,251	—20.7	449,246	480,437	14.1	10.5
23	Automobiles	276,650	212,980	—23.0	1,515,549	1,579,062	18.3	13.5
55	Auto equipment	49,829	47,418	— 4.8	253,595	283,750	19.6	16.7
21	Railway equipment	48,704	52,749	+ 8.3	450,842	478,942	10.8	11.0
34	Aircraft and parts	83,320	100,247	+20.3	170,647	222,726	48.8	45.0
6	Shipbuilding	9,267	10,127	+ 9.3	32,119	38,008	28.9	26.6
25	Misc. manufacturing	38,289	34,819	— 8.9	303,128	311,863	12.6	11.2
1,336	Total manufacturing	2,925,624	2,521,508	—13.8	23,807,855	24,905,870	12.3	10.1
30	Coal mining	20,628*	23,928*	+16.0	548,579	558,145	3.8	4.3
40	Metal mining	55,005	64,638*	+17.5	735,932	735,870	7.5	8.8
46	Oil and gas	22,135*	24,594*	+11.1	265,636	272,682	8.3	9.0
9	Misc. mining, quarrying	13,880*	12,192*	—12.2	92,766	94,598	15.0	12.9
125	Total mining, quarrying	111,648*	125,352*	+12.3	1,642,918	1,661,290	6.8	7.5
15	Chain stores—food	20,119	18,597	— 7.6	206,583	222,046	9.7	8.4
44	Chain stores—other	88,641	83,035	— 6.3	690,871	710,631	12.8	11.7
31	Department stores	35,751	35,672	— 0.2	400,206	396,062	8.9	9.0
6	Mail order	61,619	54,059	—12.3	534,289	547,427	11.5	9.9
42	Misc. and wholesale	27,350	24,846	— 9.2	290,138	301,247	9.4	8.2
138	Total trade	233,480	216,209	— 7.4	2,122,087	2,177,413	11.0	9.9
136	Class I railroads	501,393	958,861	+91.2	10,753,495	10,308,246	§3.8	§5.6
41	Traction and bus	10,055	30,990	+ —	540,070	536,049	1.9	5.8
8	Shipping	11,244	8,472	—24.7	82,929	87,321	13.6	9.6
12	Air transport	4,063	12,386	+ —	47,073	55,303	8.6	22.4
41	Misc. transportation (a)	22,372	20,806	— 7.0	393,710	378,926	5.7	5.5
238	Total transportation	549,127	1,031,515	+87.8	11,817,277	11,866,345	4.6	8.7
148	Electric power, gas, etc. (a)	436,323	401,060	— 8.1	6,554,837	6,678,143	6.7	6.0
52	Telephone and telegraph	210,988	177,926	—15.7	3,013,897	2,933,510	7.0	6.1
200	Total public utilities	647,311	578,986	—10.6	9,568,734	9,611,653	6.8	6.0
18	Amusements	40,344	57,932	+43.6	415,313	433,041	9.7	13.4
42	Restaurant and hotel	1,202	2,843	+ —	85,462	85,702	1.4	3.3
26	Other business services	13,165	12,396	— 5.8	103,262	108,189	12.7	11.5
16	Construction	7,145	11,291	+58.0	56,155	59,884	12.7	18.9
102	Total service and const.	61,856	84,462	+36.5	660,692	686,816	9.4	12.3
107	Commercial banks	191,242	187,568	— 1.9	2,540,870	2,608,419	7.5	7.2
75	Fire and cas. insurance	89,744	86,636	— 3.5	1,083,422	1,053,127	8.3	8.2
116	Investment companies	103,176	81,683	—20.8	1,848,738	1,977,176	5.6	4.1
52	Sales finance companies	56,431	49,389	—12.5	458,701	471,717	12.3	10.5
71	Real estate companies	D-718	D-356	—	144,259	130,426	—	—
421	Total finance	439,875	404,920	— 7.9	6,075,990	6,240,865	7.2	6.5
2,560	Grand total	$4,968,916	$4,962,952	— 0.1	$55,695,548	$57,150,252	8.9	8.7

† Increases or decreases of more than 100 per cent not computed. D- Deficit. *Before certain charges. § Rate of return on total property investment. (a) Figures refer to capital stock and surplus only; because of the large proportion of bonded indebtedness, actual return on the property investment is less than the above.

It will be seen that the narrowing of profit margins was general last year throughout the twenty-nine groups listed, despite the tremendous increase in volume of business. Sales in 1942 were about 27 per cent larger than in 1941, and 77 per cent larger than in 1940; and such expansion ordinarily would be expected to lift net income sharply.

Sales figures for 109 companies in the chain store, department store, mail order, wholesale and miscellaneous trade fields aggregated $7,147 millions in 1942, while net income after taxes was $203 millions, giving an average of 2.8 cents per dollar of sales. This compares with an average of 3.5 cents in 1941 and 3.9 cents in 1940, based on similar tabulations.

During the course of the year 1942 the merchandising groups operated against constantly increasing difficulties in the obtaining of suitable goods, as well as loss of personnel to the armed forces and to war plants, and rising costs all along the line, to which have been added the growing complexities and expense of rationing.

Railroad Earnings and Debt Reduction

The American railroads established many new high records last year in the speed and efficiency with which the unprecedented volume of traffic was moved. With 22,000 fewer locomotives and 500,000 fewer cars than in 1918, the railroads handled half again as much freight. This greatly increased productivity of railroad plant and equipment was possible only because of the close teamwork between management, operating staffs and other departments of all the railroads, as well as shippers and the Office of Defense Transportation.

Freight revenues for the 136 class 1 steam railroads in 1942 were approximately $5,948 millions, up 34 per cent from 1941, and 23 per cent above the previous peak of $4,826 millions set in 1929. This despite a 13 per cent reduction in average revenue per ton mile, from 1.076 cents in 1929 to 0.932 cents in 1942.

Passenger revenues were $1,028 millions in 1942, against $515 millions in 1941, but were 20 per cent below the peak of $1,287 millions reached in 1920.

Railroad taxes totaled $1,202 millions in 1942, up $655 millions or 120 per cent, while net income after interest charges and taxes was $959 millions, up $458 millions or 91 per cent.

Only a minor share of the increased earnings last year was paid out in dividends, which rose from $186 millions to $196 millions, and contrasted with $490 millions in 1929. Dividends last year represented a return of but 1.8 per cent on the total capital and surplus. Moody's index of railroad dividends was $2.12 per common share on December 31, 1942, compared with $1.77 a year earlier and $6.14 at the end of 1929. The balance of net income carried to surplus was used to build up cash and short-term investments (largely tax reserves) or else to retire the companies' own indebtedness. The roads made capital improvements approximating $600 millions in 1942; these additions and betterments were essential to meeting the demands of war traffic.

According to a compilation recently prepared by the Interstate Commerce Commission from replies received from 35 of the large solvent railroads to which it sent queries, but excluding the numerous roads in receivership, the total of their long-term and short-term debt outstanding was cut $301 millions last year. While this is indeed a substantial sum, it has to be measured against the total outstanding of $7,989 millions, upon which it represents a reduction of only 3.8 per cent. It is significant that of the 36 major railroad systems in this country, only 16 paid any common dividends last year, and in every case where a dividend was paid the road made a reduction in its indebtedness and fixed charges.

With railroad earnings temporarily running at flood tide because of the war, the Interstate Commerce Commission has urged strongly that the roads use such favorable earnings to reduce their debts and strengthen their capital structures against a drop in traffic and earnings after the war. Further retirement of railroad debt is looked for during 1943, and will be stimulated both by the continuing good earnings and by the advantages offered by the Revenue Act of 1942, which treats as non-taxable the gains resulting from a corporation's retiring its own obligations at a discount. Another incentive for debt retirement will be the chance to obtain currently the post-war credit on excess profits taxes through the retirement of indebtedness. Many of the roads which in 1942 were subject to only relatively light payments under the excess profits tax, because of credits carried over from meagre earnings or deficits in 1941, have now used up such credits and hereafter will be liable for excess profits tax payments without benefit of such carryovers.

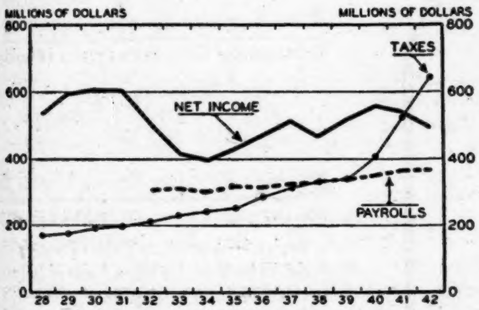
In addition to the debt reduction by solvent railroads, a heavy cancellation of debt is being made at the expense of bondholders through reorganization, while most shareholders are losing their entire equity. The Interstate Commerce Commission has 44 reorganization cases now pending before it, of which the plans approved thus far for 32 important systems call for a cut in funded debt from $3,501 millions to $1,869 millions, much of the latter being in the form of income bonds involving no fixed charges against income.

Another branch of the transportation industry which has had a marked revival is that of traction and bus companies, which benefitted from the restrictions upon private automobiles and from the expansion of employment, par-

ticularly in cities where war industries are located. A group of 41 companies given in our summary, many of which for some years previous had operated in the face of a continual falling off in number of passengers carried, and whose deficits in some cases had impaired their capital substantially, reported a rise of 32 per cent in gross revenues last year, and almost trebled their net income after taxes.

Utility Gross Up, Net Down

Reflecting the expansion of the war industries and business generally last year, production of electric power by central station generating plants set a new high record of 158.3 billion kilowatt hours, up 10 per cent from 1941 and 81 per cent above 1929. A group of 148 leading public utility operating systems whose reports are summarized in our tabulation had an increase of 7 per cent in gross revenues last year, but a decline of 8 per cent in net income, due chiefly to the sharp rise in taxes. For the private electric light and power industry as a whole, the Edison Electric Institute estimates that federal, state and local taxes absorbed about 24 per cent of total operating revenues in 1942, compared with 21 per cent in 1941. Taxes last year exceeded net income as well as total payrolls.



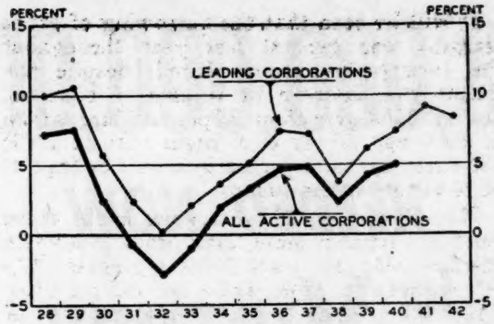
Payrolls, Taxes and Net Income in the Electric Light and Power Industry.
(Data from Edison Electric Institute.)

Treasury Statistics of All Corporations

A comparison of the rate of return of leading corporations, as shown in our tabulations, and that for all corporations, based on Treasury "Statistics of Income" through 1940, the latest year available, is given in the accompanying chart.

Average rate of return of all corporations tends to run substantially lower than that of the leading corporations, although the latter indicate the general trend of earnings from one year to another.

The Treasury statistics from tax returns of all active corporations covering the year 1940



Annual Rate of Return on Net Worth of All Active Corporations and of Leading Corporations.

include 220,977 corporations having net income and 252,065 having no net income. Gross income from sales and other sources totaled approximately $146.2 billions, while total taxes were $6.9 billions and net income after taxes $4.8 billions. The latter figure excludes receipts of $2 billions intercorporate dividends, the inclusion of which would raise net income after taxes to $6.8 billions and represent, on the net worth aggregating $137 billions, a return of 5 per cent.

A summary of these figures and of dividends paid from 1928 through 1940 is given in the accompanying table, which also contains recent estimates by the U. S. Department of Commerce of federal taxes and net income for 1941 and 1942. The estimated $12 billions federal taxes for 1942 are almost ten times those of the pre-war year 1939, and four times those of the previous wartime peak in 1918.

All Active Corporations in the U. S.
(In Millions of Dollars)

Year	Gross Oper. Inc.(a)	Fed. Income Taxes(b)	All Other Taxes	Net Income After Taxes (c)	Net Income After Taxes (d)	Net Worth Jan. 1	Rate of Return	Dividends Paid(c)
1928	$151,888	$1,184	$2,203	$7,566	$9,483	$132,403	7.2%	$5,157
1929	158,565	1,198	2,222	8,084	10,677	142,887	7.5	5,927
1930	134,017	712	2,297	1,366	3,937	160,869	2.4	5,631
1931	106,088	399	2,281	–3,145	–1,176	161,282	–0.7	4,182
1932	80,378	286	2,087	–5,375	–4,115	148,368	–2.9	2,626
1933	83,208	423	2,124	–2,379	–1,353	133,569	–1.0	2,101
1934	99,278	596	2,162	162	2,379	127,578	1.9	2,672
1935	111,636	735	2,628	1,674	4,688	141,585	3.3	2,927
1936	130,046	1,191	2,958	3,908	6,580	138,931	4.7	4,702
1937	139,761	1,276	3,666	3,872	6,554	133,468	4.9	4,882
1938	118,663	860	3,765	1,480	3,271	141,633	2.3	3,222
1939	130,972	1,232	3,995	4,040	5,946	137,437	4.3	3,841
1940-p	146,216	2,541	4,317	4,786	6,807	136,864	5.0	4,067
1941-e	——	6,600	——	7,200	——	——	—	——
1942-e	——	12,000	——	6,800	——	——	—	——

Source: Compiled from Statistics of Income, Treasury Department. – Deficit. (c) Includes tax-exempt interest received, but excludes intercorporate dividends. (b) Includes federal normal taxes, surtaxes and excess profits taxes. (c) Excludes intercorporate dividends. (d) Includes intercorporate dividends. (e) Estimate by U. S. Department of Commerce; net income excludes capital gains and losses. (p) Preliminary.

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